

Operating Balance

Your operating balance is the sum of all your monies (cash, investments, etc.) in a particular fund at the end of the year after all revenues for the year have been received and all appropriations that were budgeted have been spent.

Three things that this operating balance can go toward are:

1. an increase in next year's budget
2. a reduction in next year's tax levy
3. an increase in operating balance.

In theory the operating balance should represent the fund's first six months (January 1 to June 30) of operating expenses less miscellaneous revenues (excluding property taxes) received in the same time period. This balance is traditionally used as cash flow for expenditures until your tax draws are received.

There is an old wives' tale that any appropriated monies not spent at the end of the year will be lost. This is not the case. All that you lose is the appropriations (the authority to spend). The money that unexpended merely goes to increase your operating balance. This extra must, however, be anticipated when preparing the next year's budget.